

Economic Service Division

Committee on China Research

(Minutes of Eleventh Meeting -- 1315 hours, 2 December 1954)

Present: [REDACTED] Acting Chairman) S/TR
25X1A9a [REDACTED] S/TF
[REDACTED] 25X1A9a S/CST
[REDACTED] representing [REDACTED] S/COM
[REDACTED] S/PM
[REDACTED] S/OM

In addition to regular members the following were also in attendance,

25X1X7 Mr. [REDACTED]
25X1X7 [REDACTED] 25X1A9a
S/CST, [REDACTED] 25X1A9a

The purpose of the meeting was to have the Committee briefed by Mr. [REDACTED] regarding the position of CIA as concerns Chinese production in basic sections of the economy. Mr. [REDACTED] directed his remarks toward developing a more complete appreciation of the overall economic picture within the framework of Chow En-lai's statements of 23 September 1954 as reviewed in CIA/RS IM-403, 1 November 1954, Secret.

In addition to advising the Committee on the current position of China's economy Mr. [REDACTED] pointed out the inter-relationship between the separate parts of the Chinese economic picture. Chow En-lai's statements of September indicated that production in certain industries, particularly coal and cement production, were considerably in excess of CIA estimates. While some disagreement has been expressed concerning the validity of the Premier's estimates CIA has adopted the position that unless good cause can be found for rejecting the September estimates they are to be accepted. It was pointed out that with the upward revision of certain figures there now exists a greater degree of correlation between all sections of the Chinese industrial effort. Prior to September both electric power and railway transportation showed rates of progression considerably greater than the other sections of the economy. With the present revision of Chinese Communist industrial production estimates both railway transport and electric power are now more closely correlation with the general pattern of Chinese economic growth rates and population. Mr. [REDACTED] pointed out that the difference between CIA's previous estimate and those of Chow En-lai was due primarily to a mis-interpretation of past peak year figures. Previous records of past-peaks compiled by the Nationalist government contained a large element of downward bias which was due to poor statistical efforts on the part of the KMT as well as efforts on the part of producers to evade production reporting so as to avoid tax assessment. Mr. [REDACTED] emphasized his remarks on former production reporting with interesting personal experiences in China.

Of particular significance was Mr. [REDACTED] review of the history of the National Resources Survey which functioned in China under the direction of the KMT. Mr. [REDACTED] stated that in 1947 the KMT published information pertaining to their economic planning. At the time the goals of the KMT were generally adjudged to be unattainably high; however, Mr. [REDACTED] pointed out that the KMT estimates were based on competent surveys which had been carried out over an extensive period of time by well qualified individuals. Hence, the rapid strides currently being made by the Chinese Communists are not as startling as it would seem on first blush since they undoubtedly possess the survey material of the KMT as well as the services of many of the technicians engaged in the original survey.

Following Mr. [REDACTED] remarks a brief discussion period ensued during which Mr. [REDACTED] advised the Committee of the existence of a [REDACTED] currently in circulation which sets forth the position of [REDACTED] on Chou En-lai's estimates. Mr. [REDACTED] pointed out that there has been an apparent but unannounced cut-back of 1954 production. He pointed out how a continual practice of this type of reporting might possibly lead Western analysts to include errors in their estimates which over a period of time would tend to be compounded.

Mr. [REDACTED] remarked that it has been the experience of [REDACTED] that insofar as the Satellites areas were concerned a historical analysis of production increases expressed in percentages often do contain a compounded error which in certain cases will reach impossible magnitudes. Hence, it is his view that the difficulties pointed out by Mr. [REDACTED] if not presently an existing problem, might well become one and should be guarded against.

25X1A9a

[REDACTED]
Acting Chairman